

Message Text

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62

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CU-02 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /098 W

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R 161310Z MAR 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4914

INFO USIA WASHDC

US TREASURY DEPT WASHDC

AMEMBASSY ABU DHABI

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

USINT BAGHDAD

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 1275

E.O. 11652: GDS

TAGS: ENRG, PFOR, KU, XF

SUVJ: VISIT OF DR. WILLIAM JOHNSON, GEORGE WASHINGTON UNIVERSITY

1. SUMMARY: DURING HOLIDAY WEEKEND VISIT TO KUWAIT JOHNSON DISCUSSED
CURRENT ENERGY ISSUES WITH BROAD SPECTRUM OF LOCAL OIL COMMUNITY.
HE DISCOVERED CONSIDERABLE INTEREST IN U.S. ENERGY PROGRAM, PARTI-
CULARLY ITS R&D ASPECTS. OAPEC OFFICIALS EXPRESSED VIEW THAT IEA WAS
INHERENTLY CONFRONTATIONAL, AND SKEPTICISM WAS EXPRESSED THAT CIEC
WOULD LEAD TO ANY AGREEMENTS. ON OIL EMBARGO, JOHNSON FOUND CONCENSUS
AMONG ABOSERVERS THAT IF THERE WERE ANOTHER MIDDLE EAST WAR, ARAB
EMBARGO OF U.S. WAS LIKELY, ASSUMING MILITARY REVERSALS BY ARAB
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FORCES. MINISTRY OF OIL OFFICIAL INDICATED THAT SOME KEY KUWAITI

OFFICIALS WOULD LIKE TO SEE LOCAL CRUDE PRODUCTION INCREASE. END SUMMARY.

2. DR. WILLIAM JOHNSON, PROFESSOR AT GEORGE WASHINGTON UNIVERSITY AND DIRECTOR OF ENERGY POLICY INSTITUTE THERE, VISITED KUWAIT MARCH 11-13 BOTH AS A VOLUNTEER SPEAKER UNDER USIA AUSPICES AND AS CONTRACTOR FOR TREASURY DEPARTMENT CONCERNED WITH OIL PRICE, OPEC AND SECURITY OF SUPPLY ISSUES. UNFORTUNATELY, JOHNSON VISIT COINCIDED WITH LOCAL THREE-

DAY HOLIDAY WEEKEND, BUT LARGELY AS RESULT OF HIS PREVIOUS ROLE AS SENIOR U.S. ENERGY OFFICIAL EMBASSY WAS ABLE ARRANGE SEVERAL APPOINTMENTS AND MEETINGS WITH OAPEC AND OIL COMPANY OFFICIALS AND WITH MEMBERS KUWAIT UNIVERSITY FACULTY. MEETINGS ARRANGED WITH GOK UNDER-SECRETARIES OF OIL AND FINANCE COULD NOT BE KEPT WHEN JOHNSON'S FLIGHT FROM TEHRAN WAS DELAYED FIVE HOURS DUE TO SNOW.

3. IN HIS MEETINGS WITH MEMBERS LOCAL OIL COMMUNITY, JOHNSON ASKED ABOUT KUWAITI VIEWS ON ARAB-ISRAEL ISSUES AND PARTICULARLY ON PROSPECT

OF ANOTHER EMBARGO. GENERAL CONSENSUS AMONG LOCAL OBSERVERS INCLUDING THOSE OF US IN EMBASSY WAS THAT IF ANOTHER WAR BEGAN AND IF ARABS MET WITH MILITARY REVERSALS, ARAB STATES INCLUDING KUWAIT WOULD INSTITUTE OIL EMBARGO, ALBEIT PERHAPS WITH SOME RELUCTANCE. CONTRARY TO WHAT JOHNSON REPORTED U.S. PROFESSORS AND OTHERS IN ISRAEL WERE SAYING, EMBARGO IS POLITICAL ACT. THOUGH IT MAY HAVE IMPORTANT ECONOMIC CONSEQUENCES, THESE ARE INCIDENTAL TO ITS FUNDAMENTAL POLITICAL/ STRATEGIC PURPOSES.

4. JOHNSON OFFERED HYPOTHETICAL SITUATION IN WHICH USG WAS NOT DRAMAT-

ICALLY SUPPORTING ISRAEL, SUCH AS BY AIRLIFTING ARMS, BUT ISRAELI FORCES WERE BADLY MAULING ARABS. HE ASKED WHETHER ARAB OIL EMBARGO AGAINST U.S. WAS LIKELY UNDER SUCH CIRCUMSTANCES. AGAIN THERE WAS GENERAL AGREEMENT THAT EMBARGO WOULD TAKE PLACE SINCE ARABS WOULD BE PSYCHOLOGICALLY INCAPABLE OF SEPARATING U.S. SUPPORT WHENEVER OR HOWEVER IT HAD OCCURRED FROM ISRAELI MILITARY SUCCESS.

5. JOHNSON APPEARED TO FIND THESE VIEWS NOT SURPRISING BUT UNSETTLING FOLLOWING HIS VISIT TO ISRAEL WHERE HE FOUND TWO VIEWS EMERGING. HE SAID THERE WAS A MINORITY VIEW THAT TIME HAD COME TO SEEK ACCOMMODATION
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WITH ARABS, BUT STRONG MAJORITY CONSIDERS "GO-IT-ALONE" STRATEGY ONLY ACCEPTABLE ALTERNATIVE FOR ISRAEL. JOHNSON SAID HE FOUND "SAMSON COMPLEX" GAINING STRENGTH IN ISRAEL. HE THEREFORE IS NOT SANGUINE ABOUT AVOIDING WAR IN REGION, AND IN TURN HE SEES NEXT ROUND INEVITABLY LEADING TO ANOTHER EMBARGO. ON OTHER HAND JOHNSON WAS ALSO TOLD BY THOSE WHOM HE ASKED THAT EMBARGO IS NOT RPT NOT A SUBJECT OF CONSTANT ATTENTION HERE. IN THAT SENSE, INDIVIDUALS RESPONDED TO HIS

HYPOTHETICAL QUESTIONS, BUT THEIR VIEWS SHOULD NOT BE INTERPRETED AS SUGGESTING THAT GOK AND OTHER ARAB PRODUCERS ARE ACTIVELY PLANNING NEXT EMBARGO.

6. BECAUSE OF WEEKEND JOHNSON WAS NOT ABLE TO DELIVER LECTURES, BUT HE WAS ABLE TO DISCUSS U.S. ENERGY DEVELOPMENTS WITH KUWAIT UNIVERSITY FACULTY MEMBERS, OIL COMPANY EXECUTIVES AND OAPEC OFFICIALS

WHO WERE QUITE INTERESTED IN PROJECT INDEPENDENCE AND U.S. DOMESTIC ENERGY ISSUES AND DEVELOPMENTS. OAPEC OFFICIALS WERE PARTICULARLY INTERESTED IN DEVELOPMENT OF NUCLEAR ENERGY, BUT JOHNSON'S REMARKS INDICATED THAT HE CONSIDERS COAL TO BE THE MOST IMPORTANT AND PRACTICAL NEAR-TERM ALTERNATIVE FORM OF ENERGY AVAILABLE IN U.S.

7. ONE OAPEC OFFICIAL, FORMER IRAQI MINISTER OF OIL ABD AL AZIZ WATTARI, IN QUIET NON-POLEMIC MANNER DEFENDED CURRENT OIL PRICES. HE ARGUED THAT MARKET PRICE IS NOT ECONOMICALLY JUSTIFIED BECAUSE MARKET DOES NOT TAKE DEPLETIONARY, SINGLE RESOURCE CHARACTER OF OIL INTO ACCOUNT. WATTARI WAS CRITICAL OF IEA AS CONFRONTATIONAL AND SKEPTICAL OF CIEC. EMBOFF ASKED WHY U.S. AND ITS ALLIES WOULD NOT TAKE STEPS TO PROTECT THEMSELVES FROM DISRUPTIONS OF SUPPLY, AND WATTARI REPLIED THAT VAST EXPENDITURES EARMARKED FOR IEA PROGRAMS BELIED COOPERATIVE RHETORIC OF U.S. AND OTHERS. AS FOR CIEC HE SAID HE DID NOT SEE HOW IT COULD LEAD TO AN AGREEMENT, AND IT APPEARED THAT WATTARI BELIEVES THERE SHOULD EVENTUALLY BE AN ALL EMCOMPASSING INTERNATIONAL AGREEMENT WHICH WOULD REGULATE THE OIL TRADE. HE CONCEDED THAT SUCH AN AGREEMENT WOULD BE EXTREMELY DIFFICULT TO NEGOTIATE.

8. UNFORTUNATELY, JOHNSON WAS NOT ABLE TO KEEP HIS APPOINTMENTS WITH SENIOR GOK OFFICIALS, BUT IN MEETINGS WITH OTHERS HE WAS FULLY BRIEFED ON LOCAL OIL DEVELOPMENTS. ONE MINISTRY OF OIL ADVISOR TOLD JOHNSON THAT HE HAD BEEN ADVISING MINISTER KAZEMI TO INCREASE CONFIDENTIAL

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PRODUCTION. SENIOR KUWAIT OIL COMPANY OFFICIAL SAID HE THOUGHT OVER NEXT FEW YEARS KUWAITI PRODUCTION WOULD INCREASE. WE TOLD JOHNSON THAT MINISTER KAZEMI HAS MADE PUBLIC STATEMENTS RECENTLY CALLING FOR AN INCREASE IN OIL PRODUCTION. KOC OFFICIAL SAID THAT GOK WAS RELUCTANT TO REDUCE PRICES JUST NOW, ESPECIALLY SINCE SUCH A MOVE COULD BE CONSIDERED AS ATTEMPTING TO UNDER-CUT IRANIANS WHO RECENTLY REDUCED PRICE OF THEIR OIL.

9. COMMENT: DESPITE LIMITATIONS IMPOSED BY HOLIDAY WEEKEND AND FLIGHT PROBLEMS IN TEHRAN, JOHNSON VISIT WAS USEFUL IN PROVIDING OPPORTUNITY FOR HIM TO DISCUSS U.S. ENERGY DEVELOPMENTS WITH STRATE-

GICALLY PLACED INDIVIDUALS HERE. HE ALSO WAS ABLE TO LEARN OF KUWAITI

PROGRAMS AND POSITIONS ON CURRENT ISSUES. AMONG THOSE HE MET WERE

FORMER OIL MINISTERS FROM IRAQ (WATTARI) AND SAUDI ARABI (ABDULLA
TARIKI) SO THAT HE WAS EXPOSED TO EXPERIENCED INDIVIDUALS OF DIFFERING

BACKGROUNDS. WE FOUND JOHNSON, ON BALANCE, TO BE PESSIMISTIC ABOUT
NEAR TERM MIDDLE EASTERN ENERGY ISSUES. FOCUSING AS HE WAS ON EMBARGO
AND POSSIBILITY OF WAR, IT IS NOT SURPRISING THAT HIS LOOK INTO CRYSTAL

BALL LEFT HIM GLOOMY.
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